

Message Text

CONFIDENTIAL

PAGE 01 TOKYO 18146 091044Z

46

ACTION EA-09

INFO OCT-01 IO-13 ISO-00 EAE-00 SSO-00 OMB-01 TRSE-00

EUR-12 AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NEA-10 NSAE-00 USIA-06 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 AGRE-00 STR-04 ITC-01 DODE-00 PM-04

H-01 L-03 NSC-05 PA-01 PRS-01 SS-15 /121 W

----- 056568

R 090910Z DEC 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4110

INFO MTN GENEVA 2071

C O N F I D E N T I A L TOKYO 18146

DEPARTMENT PASS OECD CAPITALS AS INFO

E.O. 11652: GDS

TAGS: EGEN, JA

SUBJECT: JAPANESE ELECTIONS: ECONOMIC POLICY IMPLICATIONS

REF: TOKYO 18060 (NOTAL)

SUMMARY: DESPITE HARD BODY BLOW SUFFERED BY LDP IN THIS WEEK'S GENERAL ELECTIONS, WE FORESEE LITTLE CHANGE IN JAPAN'S FUNDAMENTAL ECONOMIC POLICIES; BUT ECONOMIC POLICY MANAGEMENT MAY BE MORE DIFFICULT. DOMESTICALLY THE DIET WILL PROBABLY PASS A STIMULATORY SUPPLEMENTARY BUDGET AT THE LATEST NEXT MONTH. AT INTERNATIONAL FORUMS, JAPANESE REPRESENTATIVES WILL BE, IF ANYTHING, MORE CAUTIOUS THAN EVER. AND REGARDLESS OF WHO BECOMES PRIME MINISTER, JAPAN WILL CONTINUE TO WANT TO PLAY HOST TO AN ECONOMIC SUMMIT NEXT YEAR. END SUMMARY.

1. DESPITE THE POLITICAL TURMOIL CAUSED BY THIS WEEK'S LOWER HOUSE ELECTION, FUNDAMENTAL JAPANESE ECONOMIC POLICIES ARE NOT LIKELY TO CHANGE GREATLY, PARTLY BECAUSE THEY ARE FORMULATED AND CARRIED OUT BY A PERMANENT BUREAUCRACY. OF COURSE, THE HEADS OF THE SO-CALLED ECONOMIC MINISTRIES (FINANCE, MITI, MOFA, AGRICULTURE, TRANSPORTATION AND THE ECONOMIC PLANNING AGENCY) INFLUENCE

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 18146 091044Z

CERTAIN POLICY DECISIONS BUT GENERALLY THEY RELY HEAVILY

ON THE PERMANENT STAFF. FURTHERMORE, ALL NEW MINISTERS WILL PROBABLY BE DRAWN FROM LDP OR INDEPENDENT CONSERVATIVE RANKS ALL OF WHOM SHARE SIMILAR ECONOMIC PHILOSOPHIES.

2. AS NOTED IN REFTTEL, POOR LDP MANAGEMENT OF ECONOMICS ISSUES AS A RESULT OF THE LEADERSHIP STRUGGLE CONTRIBUTED TO THE LDP'S DEFEAT. THUS WE CAN EXPECT ANY NEW CABINET TO TACKLE THESE PROBLEMS QUICKLY. ALTHOUGH PM FRONTRUNNER FUKUDA IS A 30-YEAR FISCAL CONSERVATIVE, HE WILL BE UNDER VERY HEAVY PRESSURE TO ADOPT A SUPPLEMENTAL BUDGET TO STIMULATE BUSINESS ACTIVITY. THE OPPOSITION IS EXPECTED TO AGREE ON THIS AND ACTION WILL PROBABLY BE TAKEN BY THE END OF NEXT MONTH. THE COUNCIL OF ECONOMIC MINISTERS HAS ALSO RECOMMENDED A TAX CUT TO BOLSTER BUSINESS ACTIVITY. FUKUDA HAS IN THE PAST DOUBTED THE NECESSITY OF A TAX CUT, BUT NEW LIBERAL CLUB LEADER KONO AND OTHER CENTRIST PARTIES WHOSE SUPPORT ON KEY ISSUES WILL BE IMPORTANT TO THE WEAKENED LDP, HAVE INDICATED THAT THEY FAVOR A TAX CUT. FORMING A CONSENSUS ON THESE AND OTHER ECONOMIC POLICY MEASURES WILL, HOWEVER, CONSUME EVEN MORE TIME THAN IN THE PAST.

3. JAPAN'S EXTERNAL TRADE AND MONETARY POLICIES WILL LIKEWISE CONTINUE TO BE MANAGED BY THE PROFESSIONAL BUREAUCRACY. IF ANYTHING, JAPANESE REPRESENTATIVES TO INTERNATIONAL ECONOMIC ORGANIZATIONS WILL PROBABLY BE EVEN MORE CAUTIOUS. THE SLIM CONSERVATIVE MARGIN IN THE DIET WILL REINFORCE THE GOJ DISINCLINATION TO CONCLUDE CONTROVERSIAL INTERNATIONAL AGREEMENTS THAT WOULD REQUIRE DIET CONSIDERATION OR RATIFICATION. MITI, MOF AND MOFA OFFICIALS WILL INSTEAD PREFER TO QUIETLY WORK OUT INFORMAL SOLUTIONS TO ECONOMIC PROBLEMS EITHER BILATERALLY OR MULTILATERALLY AMONG THE INTERESTED PARTIES. OF IMMEDIATE INTEREST TO THE U.S., BOTH CIVIL AVIATION AND STEEL HAVE SO FAR EVIDENCED A LOW POLITICAL CONTENT. DESPITE CONTINUED PERIODIC PRESS COVERAGE, WE EXPECT THESE ISSUES CAN CONTINUE TO BE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TOKYO 18146 091044Z

HANDLED BY THE PROFESSIONAL BUREAUCRACY. WHILE TIMING OF POLITICAL DECISION ON FISHERIES MAY BE DELAYED UNTIL NEXT MONTH WE ANTICIPATE NO SUDDEN REVERSAL IN RECENT TREND TOWARD A DECISION FAVORABLE TO THE US. LDP SUPPORT ERODED IN RURAL CONSTITUENCIES -- EVEN AGRICULTURE MINISTER OISHI LOST IN A RURAL CONSTITUENCY -- BUT THE LDP WILL CONTINUE TO RELY HEAVILY ON THE RURAL VOTE. WE THEREFORE PROBABLY CAN ANTICIPATE A FURTHER TOUGHENING

IN GOJ AGRICULTURAL PRODUCT IMPORT POLICIES AND A HARDENING OF ITS RELUCTANCE TO INCLUDE AGRICULTURE IN THE MTN. IN FACT, GOJ POLICIES TOWARDS ALL IMPORT-SENSITIVE PRODUCTS WILL PROBABLY BECOME MORE DIFFICULT THAN EVER TO CHANGE.

4. MIDDLE RANKING GOJ OFFICIALS ARE AGAST AT THE SECURITY AND LOGISTICS PROBLEMS OF HOLDING AN ECONOMIC SUMMIT IN JAPAN, BUT BELIEVE THAT PRIME MINISTER MIKI'S INVITATION WILL BE TAKEN UP BY THE NEXT PM. THE FEELING IS THAT IT IS "JAPAN'S TURN". ADDITIONALLY, REGARDLESS OF WHO THE NEXT PM MAY BE, HE WILL FIND IT DIFFICULT TO RESIST DOMESTIC POLITICAL ATTRACTION OF PLAYING HOST TO THE INDUSTRIAL WORLD'S LEADERS, OR FAILING THAT, OF ATTENDING A SUMMIT WHEREVER IT MAY BE HELD.
HODGSON

NOTE BY OC/T: NOT PASSED

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ELECTION RESULTS, POLICIES, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TOKYO18146
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760455-0440
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761256/aaaabwog.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 TOKYO 18060
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2004 by woolflhd>; APPROVED <07 SEP 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JAPANESE ELECTIONS: ECONOMIC POLICY IMPLICATIONS
TAGS: EGEN, JA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006